

# Eurozone Manufacturing PMI

## Euro area reliance on exports for growth highlighted by PMI divergences

- **PMIs show widening divergence between performance of export-oriented companies and domestic-focussed manufacturers**
- **Non-exporters in southern member states have fared especially badly, seeing orders fall in almost every month since late 2007**
- **Generally, proportion of Southern Eurozone firms with export operations has fallen since 2007**

Data derived from the Markit Eurozone Manufacturing PMI survey shows a clear divergence between the performance of exporting companies<sup>1</sup> and those firms that are reliant solely on domestic markets. This highlights the weakness of domestic demand within the Eurozone, notably in the southern member states, where the divergence has shown signs of widening again at the start of 2013.

While exporting companies have seen overall inflows of new orders show signs of stabilisation in the opening months of this year (see fig. 1), especially in northern countries, non-exporting manufacturers have recorded further sharp declines. In Southern Eurozone countries, the pace of contraction is now the fastest for around six months (see fig. 3), and ongoing austerity measures at home suggest little prospect of recovery in these countries in the near term.

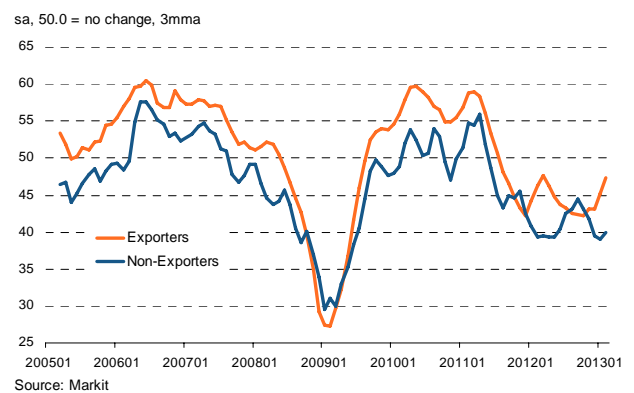
Domestic-focussed firms in Northern Eurozone have also consistently underperformed those with export operations (see fig. 2). However, unlike their southern counterparts, these companies have at least seen some sustained months of expansion since late 2007 (notably over the 2010-2011 recovery period).

Moreover, a closer inspection of the manufacturing PMI dataset suggests that manufacturers' propensity to

<sup>1</sup> The exporter / non-exporter series was created by assuming that a manufacturer not responding to the New Export Orders question only had sales to domestic clients during the reference month. Conversely, those that did respond to the exports question were categorised as exporters. Weights and seasonal adjustment for the new PMI series are identical to those used for the Eurozone Manufacturing PMI.

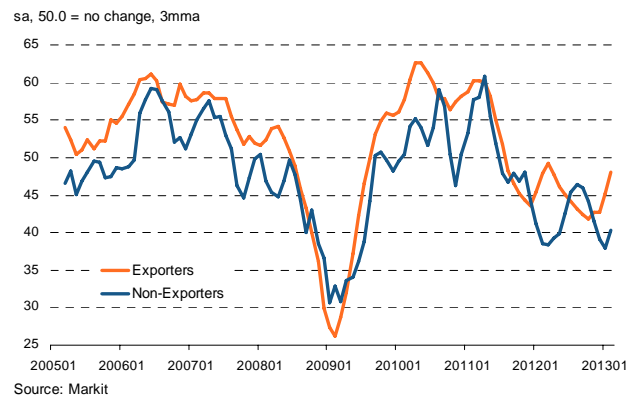
export has increased in some countries since the financial crisis, suggesting an active search for external demand, while in others the proportion of exporting companies has decreased (see Table A).

**Fig. 1. Eurozone PMI New Orders Index**



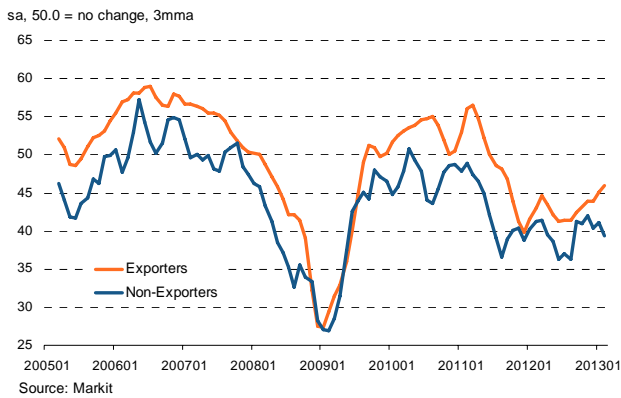
Looking back to the recovery period in 2010 and 2011, firms in the Eurozone that exported registered a much quicker return to growth than their non-exporting counterparts. They have also seen stronger new orders trends in late 2012 and at the start of 2013, therefore providing an important stabilising influence while the Eurozone economy returned to contraction. This has been apparent across both the Northern and Southern euro area blocs, with non-exporters struggling for momentum even in the better performing Eurozone economies.

**Fig. 2. Northern Eurozone<sup>2</sup> PMI New Orders Index**



<sup>2</sup> Germany, France, Netherlands, Austria

**Fig. 3. Southern Eurozone<sup>3</sup> PMI New Orders Index**



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**Germany’s manufacturers show greatest propensity to export**

With exporters clearly outperforming non-exporters, the proportion of firms exporting has been important to a country’s success since the global financial crisis. Germany has been a strong performer in this area, and has maintained its position at the top of the PMI-exporting rankings since the crisis. Austria and the Netherlands also figure strongly, while France has struggled in recent years and is placed towards the bottom of the rankings of the countries covered in this analysis.

**Table A.**

**Ranking of PMI manufacturing exporters (higher rank = greater proportion)**

	Mid-2007 - 2012	2005 - mid-2007	Change in proportion since financial crisis
Germany	1	1	(up)
Austria	2	2	(up)
Italy	3	3	(down)
Netherlands	4	6	(up)
Spain	5	4	(down)
France	6	5	(down)
Greece	7	7	(down)

<sup>3</sup> Italy, Spain, Greece